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FINANCES OF THE MONGOLIAN PEOPLE'S REPUBLIC

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FOREWORD

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FINANCES OF THE MONGOLIAN PEOPLE'S REPUBLIC

[Following is the translation of Chapter X (English title above) of the book Finansy stran narodnoy demokrati (Finances of the Countries of the People's Democracies), by D. Butakov, V. Bochkova and I. Shevel'; Moscow, 1959, Gosfinansizdat, pages 313-343.]

The victory of the people's revolution and the proclamation of a people's republic in 1924 opened a broad avenue for the political, economic and cultural upsurge of a feudal and colonial Mongolia and also opened the way for a higher standard of living for the Mongolian people. During the course of the people's revolution, successful solutions were found for the elimination of feudalism, the domination of foreign capital in the country's economic and political life, and the development of a socialist economy in their stead.

Having successfully completed two five-year plans for the development of the republic's national economy, the Mongolian People's Republic made strides toward the fulfillment of the Three-year Plan (1958-1960), the basic task of which is a further increase in the country's productive forces, the complex development and strengthening of socialism in agriculture, further growth in all areas of the national economy, and an unswerving improvement in the material and cultural standard of living of the worker.

A currency reform was carried out in Mongolia in 1925-1928, and a national form of currency was issued for the first time. Until this time the domestic currency market was flooded with Chinese money, Mexican and American dollars, Russian rubles, English pounds, silver bullion and paper currency from various countries. Various commodities were also circulated as forms of payment: brick tea, leather, silk. Since 1927 the national budget of the Mongolian People's Republic, all taxes and duties, international trade transactions, as well as the accounts of organizations and enterprises have been calculated exclusively in tugriks. At the same time budget, tax, and credit reforms were made, and a unified system of taxation was introduced. Local administrative organs were deprived of the right to introduce supplementary taxes, taxes in kind were

replaced by cash payments, local budgets were regulated and included in a single national budget, etc.

In this manner Mongolia's own system of finance was created, a system which is developing and growing stronger with each passing year. Finances are being used by the people's government as a weapon for the consolidation of the new social system, the development of the country's economy and a higher material and cultural level for the broad masses. The fiscal policy of the government is being developed in response to the task at hand.

The basic link in the financial system of the MPR is the national budget, which is an extremely important means for the distribution and re-distribution of the national income for centralized accumulation in the interests of socialist construction.

MPR NATIONAL BUDGET²

Years	Revenues	Expenditures	(billions of tugriks)
			Revenues over expenditures (+) and vice versa (-)
1953	282.9	289.8	+13.8
1954	398.2	412.5	-14.3
1955	499.8	481.7	+4.9
1956	510.4	509.7	+12.7
1957	543.2	501.3	+42.9
1958	775.1	715.2	+97.9
(preliminary fulfillment)			
1959 (plan)	815.8	711.5	+99.3

The above figures testify to the uninterrupted growth of both the revenues and expenditures included in the budget. As a rule, the national budget of the MPR has an annual excess of revenues over expenditures. The development of the national economy is insured by a continual and rapid growth of the national budget. The 1946 budget had 18 times the total amount of revenues and expenditures of the 1924 budget; and the 1947 budget exceeded it by 47 times. In 1955, the revenues were 73 times higher, and the expenditures were 57 times that of the 1924 budget.⁴ In the seven years from 1953 through 1959, the total of revenues and expenditures in the national budget increased almost 120%.

The unified national budget of the MPR is comprised of the central (all-republic) budget, the social security

budget, and the local (aimak, city, and rayon) budgets.⁵ The aimak budgets and the budgets of the cities of Ulan Uter and Ulaan Uter, after approval by the corresponding aimak and city executive boards, as well as the social security budget, on approval of the Central Council of Union, are sent to the Council of Ministers of the U.S.S.R. on the 1st of October. They are joined at the Finance Ministry with the draft of the central budget into a single national budget of the U.S.S.R., which is a general balance sheet for the country's total revenues and expenditures.

The draft for the unified national budget is examined by the Council of Ministers and after approval is brought forward for the approval of the Great National Khural of the U.S.S.R., which examines and approves the unified national budget. For the central budget, the social security budget, the aimak and city budgets, which form the unified national budget, are approved by a single legislative act.

According to law, the national budget of the U.S.S.R. is approved by the beginning of the fiscal year. In conformity with this time limit, the Council of Ministers has established dates for the presentation of the aimak and city budgets, the social security budget, as well as a date for the presentation of the unified national budget by the Finance Ministry. If the national budget is not approved by the beginning of the fiscal year, expenditures are made on the basis of a special resolution by the Presidium of the Great National Khural.

The central and local budgets are carried out by quarterly plans which are drawn up for the central budget by the Finance Ministry and approved by the Council of Ministers at the beginning of the quarter, and for the local budgets -- by corresponding Finance Departments and approved by the corresponding local executive boards. If the budgets are not approved, the quarterly plans are drawn up for the central budget on the basis of the draft, and for the local budgets -- on the basis of the previous year's budget. After approval of the budget, the revenue and expenditure estimates included in the budget are used as a basis for the drawing up of quarterly investment plans.

1. WITH THE BUDGET IN 1964

The national budget income is made up chiefly of revenues from the socialist sector of the economy, which are the following: state and cooperative industries, trade, transport and other branches of the national economy. The percentage of income from socialist economy has risen par-

ticularly sharply in the past years in connection with its rapid development and great decrease in taxes on the people. Payments into the budget by the public as well as their percentage in the budget income are systematically decreasing. The relationship of these two sources of budget income is characterized by the following figures:

Years	Total Revenues	(millions of tugriks)	
		including Revenues from socialist sector of the economy	Payments by the public
1956			
sum -----	520.4	426.7	93.7
% -----	100.0	82.0	18.0
1957			
sum -----	643.2	555.1	88.1
% -----	100.0	86.3	13.7
1958 (preliminary fulfillment)			
sum -----	773.1	698.0	75.1
% -----	100.0	90.3	9.7
1959 (plan)			
sum -----	815.3	750.0	65.3
% -----	100.0	92.0	8.0

During the past four years alone, budget revenue emanating from socialist economy increased 70% (223.3 million tugriks), and its percentage among all budget revenues increased 10%. In the same period budget payments by the people decreased 30% (28.4 million tugriks), and their share in the total budget revenues had a corresponding decrease of 10%.

Budget income from the socialist sector of the economy is comprised of revenues from state enterprises and organizations by taxation of turnover and profit, as well as from cooperative enterprises and organizations by a turnover tax, profit deductions, and livestock tax (the latter is collected from agricultural societies).

A peculiarity of the financial system of the MPR is the application of the profit deduction method instead of an income tax, as is used in the other people's democracies, for drawing portions of the incomes of cooperative enterprises into the budget. Cooperative enterprises make profit deductions under the same conditions as state enterprises.

While in relation to state enterprises and organizations the above-mentioned methods of drawing portions of

the incomes into the national budget serve merely as various forms of mobilization of the clear profit of state enterprises into the national fund, these methods of drawing part of the incomes of cooperative enterprises and organizations into the budget (including the livestock tax) express tax relationships, the relationships of the redistribution of income which belongs to individual collectives.

The total revenues from the socialist sector of the economy, in the form of profit deductions, turnover tax, budget increase and customs duties, comprised each year more than 70% of all budget income during the Second Five-year Plan (1953-1957) and were planned to make up 79.0% of the 1958 budget (541.5 million tugriks).

In January, 1959, in the aim of a closer coordination of the budget income received from industrial enterprises and economic organizations with the financial-economic activities of these enterprises and organizations, and in order to improve the control of their activities, the budget payment system for state and cooperative enterprises was changed. Taking into consideration that the budget additions, customs duties, and property taxes which were being paid were analogous in their content to a turnover tax, all these payments were unified into a turnover tax. The system of turnover tax payments has also been changed. In addition, new regulations for profit deductions were introduced in January, 1959.

As a result of the re-organization of socialist enterprise budget payments, the turnover tax began to occupy first place in budget revenues. In the 1959 budget the turnover tax comprised 67.9% and, together with profit deductions -- 83% of all revenues, or 676.8 million tugriks. This is 7.0% more than the amount received in 1958 through the turnover tax, profit deductions, budget addition, customs duties, and property taxes.

Until 1959 the turnover tax assessment was determined as a percentage of the gross turnover of individual enterprises and branches of the economy and were not differentiated according to types of products. The calculation of the turnover tax, proceeding only from volume of production and without consideration of the product assortment, caused financial difficulties in enterprises which produced certain unprofitable goods and allowed unjustified profits for enterprises which were producing high-margin goods.

At present the turnover tax is levied according to the designation and type of product. Multiple turnover tax levies on one and the same product have been eliminated. In accordance with the new system, the turnover tax

is levied only once: either by the enterprise which produced the commodity, the wholesale trade base which received the commodity as an import, or the organization which effects state purchases of agricultural products.

The turnover tax is levied on the receipts of state and cooperative enterprises and economic organizations (except for agricultural societies) on an independent financial footing and maintaining a business account in the state bank. The tax is levied on the realization on goods produced in the plant, agricultural production, means of production obtained in the form of imports, as well as the value of imported consumer goods and the gross receipts of entertainment enterprises and service enterprises. The tax payments are determined by the Council of Ministers of the MPR.

For enterprises and organizations not maintaining a payment account, the turnover tax is paid by the organization above it. Tax-paying organizations take care of the turnover tax by a decentralized procedure.

Turnover tax payment on goods and agricultural products which are transmitted for realization by means of an enterprise's own retail trade system and own public eating establishments are made by the organization furnishing these goods.

Earnings of industrial enterprises on the delivery of goods for export, earnings of wholesalers from the realization of domestic industrial goods to retail trade organizations, the internal turnover of enterprises and economic organizations (with the exception of turnover on goods delivered for economic uses), payment of the cost of geological surveys, receipts for the sale of package trips to vacation resorts, etc., are exempted from turnover tax levies.

Turnover tax is reckoned from the following: from receipts for the sale of goods produced in the same plant according to rates set up for the given type (category) of product; from the gross receipts of entertainment enterprises and organizations furnishing a service, according to rates established for each enterprise or organization; from the receipts from the sale of means of production by organizations obtaining them as import goods, in the form of the difference between the delivery or selling price and the FOB price at the border, excluding trade discounts allowed upon sale of given commodities to a wholesale trade organization; from the cost of imported consumer goods in the form of the difference between the state retail prices and the FOB border prices, excepting wholesale organization discounts including discounts established for

trade organizations; from the receipts from the sale of agricultural products by procurement organizations to export centers at special rates established by the Council of Ministers; from the receipts from the sale of national industrial goods for export, in the form of the differential between the export and wholesale (buying) prices, excepting discounts furnished to wholesale organizations; from the receipts from the sale of agricultural products by procurement organizations directly for domestic consumption, in the form of the differential between the delivery prices and purchase prices, deducting trade mark-ups to procurement organizations.

The term for payment of the turnover tax for each tax-paying organization is established by the Council of Ministers. The turnover tax is entered in the corresponding budgets daily or every ten days, monthly, and quarterly.

Turnover tax payment is made in the following manner:

- by organizations paying it every ten days on the actual turnover for the first ten days of the current month -- on the 13th, for the second ten days -- on the 23rd, and for the turnover for the rest of the month -- on the third of the following month. The turnover tax for seven of the last ten days in December are included in the budget on the 29th of December of the current year, and the tax for the remaining three days -- on the third of January of the following year;

- by organizations paying the tax monthly, on the actual turnover of the current month -- up to the 23rd of the following month; for December the tax is paid on the 29th of December of the current year in the same amount as the tax paid for November of the current year, with a subsequent re-computation of the actual December turnover;

- by organizations paying the turnover tax quarterly, on the actual turnover for the current quarter -- up to the 23rd of the first month following the current quarter; for the fourth quarter it is paid on the 29th of December in the same amount as the tax levied on the turnover of the third quarter, with a subsequent re-computation on the actual turnover for the fourth quarter;

- on imported means of production, imported consumer goods, and industrial goods delivered for export, as well as on agricultural products sold by purchasing organizations to export bases and directly for internal consumption on the day of the goods turnover.¹⁰

In the MPR, state self-supporting enterprises and economic organizations use a portion of their profit (min-

us deductions into the director's fund) for increasing the standard of their own turnover funds and for the financing of capital investment in accordance with the national economic plan, and the remaining, major, portion of the profit in order of deductions is transferred to the state budget for centralized use. From 1952 through 1957 the total sum of profit deductions grew 220%, minus deductions from the profit of cooperative enterprises. Profit deductions accounted for 17-22% of the budget revenues in past years, and in 1958 it accounted for 28.2%.

In accordance with the new system which came into force in January, 1959 profit deductions into the central and local budgets are made by state and cooperative (except for agricultural associations) agricultural, trade, procurement, transport, construction, utilities and entertainment enterprises, as well as enterprises engaged in performing services and other enterprises and economic organizations of republic or local status, acting on the basis of financial self-support and operating on an independent bank-enterprise relationship.

The size of the profit, its use, and the size of the profit deductions into the budget are determined by the financial plan for each enterprise and economic organization individually and for the ministry or department as a whole. In those cases in which the size of profit, in accordance with the financial plan, does not exceed the sum of expenditures on measures financed by the profit, deductions into the budget are made in the amount of 10% of the sum of profit. If the plan does not provide for replenishment of the enterprise's own normal cash on hand for turnover purposes at the expense of the profit, as well as expenditures on capital investment, the profit (minus deductions into the director's fund) is transferred into the budget. The state bank, enterprises and economic organizations in the industrial cooperation system effect profit deductions in amounts specially determined by the Council of Ministers.

State enterprises and economic organizations effect profit deductions in a centralized as well as in a decentralized manner. Ministries, departments, trusts, associations and administrations can contribute to the budget in a centralized manner and keep accounts on the sums for transfer into the budget for the enterprises and economic organizations in their jurisdiction. Enterprises and economic organizations in the industrial cooperation system effect profit deductions in a decentralized manner. State and cooperative enterprises and economic organizations which are, in accordance with the approved fiscal plan,

profit deduction tax-payers of the de-centralized order deal directly with the budget.

The question of whether state enterprises and economic organizations pay profit deductions centrally or non-centrally is decided by the Council of Ministers on the representation of the Ministry of Finance of the Mongolian People's Republic.

State and cooperative enterprises and economic organizations, ministries, departments, trusts, associations and administrations pay profit deductions into the central and local budgets quarterly in a sum provided by their annual fiscal plans, with a subsequent re-computation according to the profit actually received.

Of the above-plan profit obtained by enterprises and economic organizations of republic or local jurisdiction, 75% of that portion which is liable to transfer (that is, the above-plan profit minus 50%, which is transferred to the director's fund) is deducted quarterly into the budget, and the remaining 25% is paid at the end of the year after re-computation.

State and cooperative enterprises and economic organizations transfer quarterly payments on account for profit deductions into the budget. These payments on account are made at the following times: the first time -- on the 25th of the first month of the quarter in the amount of 35% of the payment provided by the fiscal plan for the given quarter; the second time -- on the 21st of the second month of the quarter, 35% of the payment; the third time -- on the 25th of the third month of the current quarter, the remaining 30% of the payment. Transfer of sums liable for deduction from above-plan profits is made to the budget by these same dates."

The livestock tax levied on Arat agricultural associations is also considered as income from the socialist sector of the economy. Arat agricultural associations pay a tax on the income from collectivized stock, independent of the total number, according to minimal rates applicable in relation to individual Arat households, which is the following (in tugriks per head of livestock per year): for camels -- 2.5, for horses -- two, for cattle -- one, for sheep -- 0.35, and for goats -- 0.25.¹² This implements the development of cooperatives among the Arats, the organizational-economic strengthening of agricultural associations, and a still greater development of communal animal husbandry within them.

In 1952 there were 105 agricultural associations in the country, including 280,000 head of communal livestock, and on 1 January 1953, after the expansion of many of the

associations, there were 658 associations, which included over 69,000 Arat households, or 35% of all such households in the country. There were 5.2 million head of livestock as association communal property.¹³ By April, 1959, 90% of all Arat households had joined agricultural associations.¹⁴ Taxes presently paid by the public combine the livestock tax, the personal income tax and the tax on bachelors and childless citizens. There are also several local taxes and duties.

The basic tax paid by the individual, both in number of tax-payers as well as the total sum paid into the state budget up to 1958, was the livestock tax. It is levied on individual Arat households, the households of members of agricultural associations and the citizens of foreign countries who are engaged in stock-raising on the territory of the MPR. In accordance with the law which came into force in January, 1954, the tax is computed on the actual number of head of stock in the household according to the census of the preceding year and not on the number of head of stock provided for by the plan, as had been the case under the tax regulations formerly in force.

In January, 1954, tax rates on poor and average households were cut in half, and the tax rates on larger units were raised; ten categories of tax-payers were established, depending on the economic position of Arat household units. At the same time, the role of the tax as a regulator of the incomes of the various social strata of the Arats and as a weapon of limiting the development of capitalist elements among stock raisers was strengthened. As a result of the tax rate re-assessment, the total sum levied from individual Arat households was decreased by 23% in 1954. For the Second Five-year Plan (that is, in 1957 as compared with 1952), livestock tax payments from Arat households were decreased by 24 million tugriks, or by 45%.¹⁵

Together with that, the former system of stock, wool, and animal fat deliveries to the state from Arat households according to the planned stock count was discontinued. The new system of deliveries for products of animal husbandry proceeds from the actual stock head count for 1953; the 1954 delivery norms will be used in subsequent years, independent of the actual number of head of livestock in the households. At the same time, past arrears by Arat households in obligatory deliveries to the state of livestock products were written off, as were the arrears in the livestock tax for poor and middle households. The total amount of arrears written off reached the sum of 20 million tugriks.¹⁶

In April, 1954, state purchase prices on livestock acquired through obligatory delivery were raised an average of 80%, and prices for stock purchased above and beyond obligatory norms were raised to an average of 400% in comparison with the former purchase prices. The procurement and purchase prices on products of animal husbandry are raised at the same time. A further increase in the prices for livestock products was introduced in March, 1957.

As a result of the broad scope of the cooperative movement among the Arats and the corresponding decrease in the head tax levied on livestock owned by individual households, livestock tax payments from Arat households decreased by 8.9 million tugriks in 1957 as compared with 1956. Livestock tax payments from individual Arat households in 1959 are planned to reach a total of 20.5 million tugriks, eight million tugriks less than in 1958. ⁷

The livestock tax is levied on all types of stock: camels, horses, cattle, sheep, and goats. The number of head exempted is a maximum of 20 head of stock per Arat household, regardless of the type or types. In households possessing a greater number of head of livestock, the tax is levied on the total number. The tax rate differs according to the individual types of stock (see following table).

The livestock tax is not levied on state farms, forestry, horse-haying and machinery-livestock stations, scientific-research and experimental stock farms, as well as state, communal and cooperative organizations and budgetary institutions with work and experimental stock. The tax is paid in two installments: up to 15 June -- an advance payment of 70% of the tax, and up to 1 November -- the remainder of the tax.

LIVESTOCK TAX RATES ¹⁸

(in tugriks per head of livestock)

taxpayer categories	Livestock head total	Camels	Horses	Cattle	Sheep	Goats
1	21 to 50	2.50	3.00	1.00	0.35	0.25
2	51 to 100	4.00	5.00	2.00	0.70	0.40
3	101 to 150	6.00	8.00	4.00	1.20	0.75
4	151 to 200	7.00	7.00	5.00	1.50	1.00
5	201 to 300	8.00	7.50	6.00	1.75	1.25
6	301 to 400	8.50	8.00	6.50	1.85	1.50
7	401 to 500	9.00	8.40	7.00	2.00	1.75
8	501 to 700	9.45	8.80	7.35	2.10	1.85
9	701 to 1,000	9.90	9.20	7.70	2.20	1.90
10	over 1,000	10.35		8.00	2.30	2.00

Individual Arat households and members of agricultural associations which achieve an increase of at least 15% of the total number of head of stock due to natural increase, without a decrease in head of any individual category of livestock according to the census of the previous year, receive a tax discount on those categories of stock, the head count of which has increased by more than 15%, in the following proportions:¹⁹

Increase in head	(in %)				
	camels	horses	cattle	sheep	goats
from 15 to 20	15	10	25	15	10
from 21 to 30	25	15	40	25	15
over 30	40	25	75	40	25

The tax, besides its fiscal significance, becomes a factor in the development of stock-raising in Arat households and stimulates an annual natural increase in stock in each household.

The individual income tax, according to the law which came into effect in January, 1958, is spread over a broad group of tax-payers: workers and office personnel, writers, artists, businessmen, craftsmen, citizens engaging in agriculture in cities and villages, those employed in religious activities, as well as other citizens and foreign subjects residing on the territory of the MPR and having an independent source of income.²⁰

In connection with the various social affiliations of the above categories and the various possibilities for receiving income, differentiated income tax rates have been established. The minimum rate is applicable for workers' and office personnel incomes, as well as for those groups equated with them (writers, artists, members of producers' cooperative artels, as well as persons working under contract in producers' cooperatives and agricultural associations, members of artels, cooperatives of craftsmen, workers and office personnel -- according to the amounts earned by them for work at home, if they do not use their own material or their own equipment).

The tax rates on this portion of the population are fixed on a sliding scale. Wages of from 201 to 300 tugriks per month are taxed at the minimum rate, which is six tugriks plus 7% of the sum in excess of 200 tugriks, and earnings of 1201 or more tugriks per month are taxed according to the maximum rate, which is 124 tugriks plus 15% of the sum in excess of 1200 tugriks.²¹ The tax-exempt minimum was increased from 100 to 200 tugriks in January, 1958. At the same time, the tax rate on low-sal-

aried workers was lowered and that on highly-paid workers was raised.

If a worker has four or more full dependents, the tax is lowered by 25%. Single cash prizes paid by management, pensions and benefits paid by the state, scholarships paid to students of universities, technical schools, and courses of studies, Uhoibalsan prizes, awards for advanced training, and some other forms of income are not taxable.

As a result of the new income tax law of January, 1958, the net incomes of workers and office personnel increased by nine million tugriks per year. The income tax on workers, white-collar personnel, and those categories of workers equated to them is computed by the employing organization, which withholds the proper sum each month from the pay check for the second half of the month.

The income received by lamas from monasteries is taxed according to the rates established for workers and white-collar personnel, but with an increased tax rate to 20%.

A special system is used for taxing the incomes of certain non-cooperativized domestic crafts, household services, draying, construction, agriculture in cities and towns, as well as other types of income. In such cases, the yearly income is used as the base for taxation, including income from all sources. Taxable income is considered to be the difference between gross income (in case of kind) and expenditures incurred in obtaining this income. Income received in kind is taxed according to the income based on the market price of products received.

A sliding scale is used for computing the tax on the above types of income. An annual income of up to 2,400 tugriks, received without the use of hired labor, is taxed at the minimum rate of 9%, and an income of 15,000 tugriks and up -- at the rate of 4,722 tugriks for the first 15,000 tugriks and 45% of the rest. These incomes, as well as incomes from private trade, dining rooms and restaurants, obtained with the help of hired labor, are taxed at a higher rate: yearly incomes up to 2,400 tugriks -- at a rate of 15%, and an income of 15,001 tugriks and up -- 7,870 tugriks from the first 15,000 and 75% of the remaining sum.

In addition, non-cooperativized craftsmen, merchants, persons engaged in agriculture in cities and towns, owners of private restaurants and shops, and other persons taxed according to the above system obtain a license for the right to engage in the given activity. The license fee for the right to engage in private trade, carrier's trade, or domestic crafts with the use of hired labor is 100 tugriks, and for the right to engage in other forms of cot-

tage industry and to fulfill orders by individual citizens and institutions -- 50 tugriks.²²

Taxable-income does not include winnings in state loans and lotteries, interest on savings accounts, insurance payments, state grants to mothers of large families. The above enumerated categories of tax-payers pay, by the 15th of the second month of each quarter, 25% of the annual total tax, computed on the income of the previous year, and a re-computation is made after the year is over or after the tax-payer has ceased his activities.

The tax on bachelors and childless citizens was first introduced in January, 1956. The tax was revised in April, 1957, and several categories of tax-payers were exempted. At the present time it is paid by males from the age of 20 to 50 and by females from the age of 20 to 45. For workers and office personnel, 3% of the wages are taken, for independent artists and members of agricultural associations -- 40 tugriks per year, for those exempted from the livestock tax -- 20 tugriks per year, and for persons receiving income from private enterprise and trade -- 4% of the income of the previous year.²³

Some categories of citizens are exempted from taxation. These include privates, sergeants, and master sergeants in the military and their wives, students up to the age of 25 years, disabled war veterans of groups I and II, and several other categories.

There are also local taxes and duties in the Mongolian People's Republic, which are used in their entirety for local budgets: the transport tax, the city livestock tax, the single oxcart tax, the veterinary tax, and the stamp tax.

In January, 1958, Agricultural Associations, Cooperatives and all private citizens were exempted from the building and property tax, which up to that time also went into the local budgets. This measure stimulates a shift of agricultural associations to a settled way of life and economic strengthening. In addition, it has as its goal a further heightening of the well-being of the people, a stimulation of interest on the part of workers, office personnel and stock-raisers towards construction of their own well-built homes. As a result of this, the net income of workers will increase by 0.5 million tugriks per year.²⁴

State credit, as a form of additional attraction of voluntary private funds into the budget and as a form of workers' savings, has achieved some development in the PR.

The State Convertible Loan of 50 million tugriks

for a 20-year period was introduced in 1950. Previously issued government defense bonds were exchanged for these bonds. At the same time, 15 million tugriks worth of the convertible loan were sold to the public.²⁵

During the Second Five-year Plan (1955 and 1956), two government domestic loans for the development of the national economy were floated in the MPR. Each of the loans was a 2% twenty year obligation for 15 million tugriks. Cash from government loans constituted 2.8% of the 1955 budget revenues, 2.2% in 1956, and 0.7% in 1957 (on the 1956 loan). In addition, 12 cash-commodity lotteries for a total of 97 million tugriks were conducted between 1942 and 1952 in the MPR.²⁶

The social security budget is a part of the consolidated state budget of the MPR. The revenues of the social security budget are comprised of the social security deductions for workers and office personnel, which are paid by offices and enterprises as well as private persons employing hired labor. The social security payments are made as a percentage of the workers' and office personnel wage fund, differentiated in relation to the degree of danger or health hazard of the work. Revenues from the sale of all-inclusive trips to vacation and health resorts as well as certain other sums are included in the revenues of the social security budget. On the whole, social security funds in the past few years have constituted from three to four percent of the national budget.

Non-tax revenues such as receipts for the sale of property belonging to budget offices and enterprises, fines, confiscation of property, escheat and ownerless property reverting to the state, revenues from timber, and others go into the national budget.

The unselfish, friendly aid extended to the Mongolian people by fraternal socialist nations has a great significance for the building of socialism in the MPR.²⁷ Governed by the principles of proletarian internationalism, the Soviet Union is tendering great material-technical and financial aid to the Mongolian People's Republic. Chinese workers, engineers, and technicians are busy constructing highways, bridges, factories, and plants in the MPR. Czechoslovak and German engineers are developing projects for various industrial enterprises in Mongolia. Machine tools and machinery for Mongolian industrial enterprises are being produced in the plants of the Soviet Union, the CPR, Czechoslovakia, and the DDR. Mongolian students are studying and Mongolian workers are receiving practical training in many socialist lands.

2. STATE BUDGET EXPENDITURES

The national budget of the MPR is drawn up in conformity to the tasks of the national economic plan and insures the fulfillment of all measures called for in the plan by provision of the necessary funds. The financing of state industry, state farms, horse-haying and machinery-livestock stations, the financing of social-cultural measures, as well as state defense and administrative needs are handled by the national budget.

The expenditures of the MPR budget are characterized by a continuous growth, although the relation between individual expenditure items changes according to changes in the tasks standing before the state on the various stages of its development. Budget expenditures in the Second Five-year Plan (1953-1957) constituted 2,348 million tugriks as against 1,666 million tugriks in the First Five-year Plan (1948-1952). There was an increase of 628 million tugriks, or 41%.

MPR BUDGET EXPENDITURE STRUCTURE FOR THE FIRST AND SECOND FIVE-YEAR PLANS²⁹

(in million tugriks)						
	Total expenditures	National Economy	Social-cultural measures	gov-ern-ment	Def-ense	Other expenditures
First Five-year Plan						
sum -----	1,666.0	308.2	486.5	153.3	481.5	236.5
% -----	100.0	18.5	29.2	9.2	28.9	14.2
Second Five-year Plan						
sum -----	2,348.0	840.0	845.3	190.2	234.8	237.1
% -----	100.0	35.8	36.0	8.1	10.0	10.1

Budget expenditures on the national economy in the Second Five-year Plan exceeded corresponding expenditures in the First Five-year Plan by 1.7 times, and those on social-cultural measures were 1.7 times those of the First Five-year Plan. The portion of expenditures on the national economy increased by 90%, and that on social-cultural measures -- by 20%. Expenditures on defense were more than halved in the same period, and thier proportion of the total budget expenditures was decreased almost 200%. The proportionate weight of expenses for running the gov-

ernment was also decreased considerably.

Expenditures on the national economy and social-cultural measures comprised 47.7% of all budget expenditures in the First Five-year Plan, but they comprised 71.8% of the Second Five-year Plan. Expenditures on defense and government decreased correspondingly from 38.1 to 18.1%.

The growth of expenditures for the national economy and social-cultural measures and the decrease in expenditures for defense and administration are continuing in the period of the Three-year Plan (1958-1960). The above-mentioned categories of expenditures were planned for 81.9 and 18.1% (including other expenditures) correspondingly for 1959.²⁸ This testifies of the great development during the past few years of the functions of economic-organizational and cultural-educational work as the determining factor in all state activity in the MPR.

NATIONAL BUDGET EXPENDITURE STRUCTURE FOR 1958 AND 1959²⁹

(in million tugriks)				
		1958 (preliminary fulfillment)		1959 (planned)
		sum	%	sum %
total expenditures -----	715.2	100.0	809.9	100.0
including:				
national economy -----	333.5	46.6	350.4	43.2
social-cultural measures	260.9	36.5	312.3	38.6
government, defense, and				
other expenditures -----	120.8	16.9	147.2	18.1

Expenditures on the national economy. Funds from the national budget earmarked for the development of the national economy are growing each year. At the same time, the proportion of expenditures on the national economy in the total budget is increasing: from 27.2% in 1953 to 46.6% in 1958. The sum total of expenditures on the national budget for the development of the national economy increased by 250 million tugriks between 1953 and 1958, or by 250%.

In evaluating the expenditures on the national economy, one must keep in mind that agriculture is the basis of the republic's economy and that cooperative industry takes a comparatively large chunk of the total industrial production. At the present time, more than one fourth of all industrial production is accounted for by enterprises in the cooperative sector.³⁰ In connection with this, national budget expenditures for the financing of the nat-

ional economy are decreased considerably, because expanded production at cooperative enterprises is effected at the expense of the enterprise's own funds and renewable bank credits, and in agriculture -- at the expense of Arat agriculture association funds, bank credits, and in part by individual Arat household funds (in the non-cooperativized sector).

The great majority of budget expenditures used for the development of the national economy and for social-cultural measures are put into capital investment. At the same time, a portion of the enterprises' own funds are used for this purpose. During the First Five-year Plan, 209 million tugriks were spent on capital investment, including 169 million tugriks (80.9%) from the national budget and 40 million tugriks (19.1%) from the funds of enterprises and economic organizations. During the Second Five-year Plan, of 596 million tugriks spent for the financing of capital investment, national budget expenditures accounted for 482 million tugriks, and funds from enterprises accounted for 114 million tugriks.³² In both the First and Second Five-year Plans, budgetary funds constituted 80.9%, and private funds from enterprises and economic organizations -- 19.1% of all capital investment.

In the Second Five-year Plan, capital investment from budgetary funds was 290% that of the First Five-year Plan, with an increase of 313 million tugriks. Capital investment by enterprises and economic organizations increased by 130% or 73 million tugriks.

As can be seen from the table (see next table), budgetary capital investment increased by more than 400% in seven years, and non-budgetary -- by 700%. 40 million tugriks, earmarked by the government in 1959 for carrying out the decision of the Central Committee of the Mongolian People's Revolutionary Party and the government for a sharp increase of grain production in the republic during 1959-1961, are not included in the sum of capital investments for 1959. This project is to be financed by a systematic and broad campaign of economy, efficiency, and savings in administrative expenses, as well as by an increase in the savings of industrial enterprises and economic organizations.³³

In addition, major projects have been carried out in the past years thanks to funds given on credit by the Soviet Union and gratis aid by the CPR. Funds from the Ulan Bator Railroad Corporation are also being used for capital investment. According to the 1958 plan, 21.2 million tugriks are to be received from this company for capital investment, as well as 90.7 million tugriks from the

credits given by the Soviet Union.

CAPITAL INVESTMENT IN THE NATIONAL ECONOMY ³⁴ (in mln. tg.)

Years	Entire capital investment	Including	
		From budget	From funds from enterprises
1953			
sum -----	50.7	40.4	10.3
% -----	100.0	79.7	20.3
1954			
sum -----	85.5	69.0	16.5
% -----	100.0	80.7	19.3
1955			
sum -----	110.9	84.1	26.8
% -----	100.0	75.8	24.2
1956			
sum -----	146.0	117.8	28.2
% -----	100.0	80.7	19.3
1957			
sum -----	190.8	157.9	32.9
% -----	100.0	82.8	17.2
1958			
sum -----	232.5	182.8	49.7
% -----	100.0	78.6	21.4
1959			
sum -----	291.0	209.4	81.6
% -----	100.0	71.8	28.2

The proportion of capital investment in all national budget expenditures was (in %): ³⁵ in 1953 -- 10.6, in 1954 -- 10.7, in 1955 -- 18.2, in 1956 -- 23.1, in 1957 -- 26.8, in 1958 -- 25.8, in 1959 (planned) -- 25.8. The proportion of capital investment in national budget expenditures increased more than two and a half times in the seven years.

Thanks to a continual growth in capital investment, the republic is conducting a great program of development in all branches of the national economy and culture. Funds are being assigned for the construction and expansion of enterprises in industry, agriculture, transport, as well as social-cultural projects and apartment houses.

In response to the tasks of the Three-year Plan, 700 million tugriks are being directed to production as well as to the non-productive sphere for capital investment in 1958-1960. This is 19% more than in the entire Second Five-year Plan. Including the economic aid from fraternal socialist countries, the sum total for capital construction reaches 1,020 million tugriks. ³⁶

CAPITAL INVESTMENT DISTRIBUTION TO VARIOUS BRANCHES OF THE ECONOMY AND CULTURE³⁷

BRANCHES	(in million tugriks)				
	Second Five-year Plan ³⁸		Three-year Plan		Three-year Plan to 2nd FYP (in %)
	sum	%	sum	%	
Industry -----	199.3	33.8	175.6	25.1	88.8
Agriculture -----	95.4	16.2	129.4	18.5	135.6
Transport and Communication ----	92.0	15.6	103.7	14.8	112.7
Trade -----	17.1	2.9	21.4	3.1	125.1
Culture, Education, Public Health ----	108.5	18.4	109.6	15.6	101.0
Utilities and Housing -----	65.9	11.1	145.7	20.8	221.1
Government					
Construction -----	11.7	2.0	14.6	2.1	125.1
Total --	589.9	100.0	700.0	100.0	118.7

More than 500 million tugriks from the Three-year Plan total for capital investment is going into construction, 140 million tugriks -- for equipment, machinery, and mechanical devices, about 25 million tugriks -- for financing geological surveys.

More than 300 million tugriks, including credits from friendly countries, go for the national economy and cultural purposes each year of the Three-year Plan. 10 to 20 construction projects are completed each year in each aimak. 800 large and small buildings for machinery-livestock stations, 10 buildings for 10-year schools, 11 buildings for seven-year schools, 14 buildings for hospitals, seven buildings for aimak clubs, movie theaters, etc., will be constructed in three years.

Besides the financing of capital investment, considerable funds are put aside from the national budget for filling out the working capital of industrial and agricultural enterprises (State farms, horse-haying and machinery-livestock stations), for covering planned and unplanned losses to enterprises, and for assimilating new technology and acquiring new equipment for industry and construction, etc. Funds earmarked in 1959 for the development of the national economy have been sharply increased, to 100 million tugriks more than in 1958. 57.2% of all funds assigned (including non-budget) are assigned to capital investment. The growth of working capital has been planned to reach an increase of 30 million tugriks.³⁹

EXPENDITURE BREAKDOWN FOR THE NATIONAL ECONOMY 40

Expenditure assignment	1955	1956	1957	1958	1959
National economy, total including:	175.5	175.5	221.9	259.2	350.4
Agriculture -----	53.8	60.9	67.6	79.5	111.7
Industry -----	30.8	49.4	61.9	71.8	103.1
Transport and Communication -----	50.6	37.4	67.7	70.5	74.1
Measures for the beautification of aimak centers, utilities construction -----	10.0	21.8	24.7	32.1	61.5

Expenditures for the development of agriculture occupy first place in budget expenditures on the national economy. Besides financing agricultural enterprises from the budget, the state offers considerable aid to agriculture by means of offering credits to agricultural associations and Arat individual stock-raisers. More than 40 million tugriks were given in credits in 1953-1957, and in 1957 they were 67% higher than the 1952 level (including credits for agricultural associations, which were five times those of 1952). According to the figures of 1 January 1958, the sum total of long-term credits extended to agricultural associations reached 26.3 million tugriks.⁴⁷ The fund for long-term credits for agricultural associations reached five million tugriks in 1959.

As a result of organizational measures on the part of the party and government, financial aid by the state and the efforts of the Arats themselves, definite success has been achieved in the development of agriculture and its basic branch -- stock-raising -- in the past few years. The total number of livestock in the republic increased by 454,000 head during the Second Five-year Plan and reached 23.3 million head by 1 September 1957. 25% of all livestock and 78.6% of all land under cultivation was in the socialist sector by March, 1958, as compared with 2.6% and 42% in 1952. Eight new state farms equipped with modern machinery were completed during the Second Five-year Plan, and work was begun on reorganizing horse-haying stations (HHS) into machinery-livestock stations (MLS). The latter are better equipped and aid agricultural associations not only with the laying-in of fodder but with the planting and harvesting of crops, mechanical sheep shearing, construction of buildings for productive and cultural

uses, freight transport, etc.

There were already 10 MLS in the country by the beginning of 1958.⁴² There were 21 state farms in the republic by the beginning of 1959. Many of these had achieved considerable financial success in their financial activities. State farms suffered losses amounting to 11.2 million tugriks in 1957, but in 1958 nine state farms were able to show a profit of 3.9 million tugriks, and the loss total for all state farms was only 1.2 million tugriks.⁴³ The government is paying serious attention to the problem of eliminating losses to state farms.

A decision to pay cash prizes from the national budget to agricultural associations fulfilling the state plan for the procurement of livestock products was made in 1958, as well as a premium over established procurement prices for products delivered to the state by newly organized associations. Payments for these purposes amounted to 3.7 million tugriks in 1958 and five million tugriks in 1959.⁴⁴

National budget expenditures for the financing of industry are growing yearly. This has contributed to the overfulfillment of the planned tasks of the Second Five-year Plan for industrial production. The average annual growth rate for industrial production was 11% for state (8% was planned) and 9.2% for cooperative industry (5% was planned).

In the last few years, production has started on several new industrial products, new production facilities have been introduced, existing enterprises have been expanded and re-constructed, the mechanization and organization of labor have improved, and production technology has been perfected.

Thanks to the financial and technical aid by the USSR, the GPR, and other friendly nations, the Mongolian people has broadened its industrial fuel and energy base and has effected the construction of new industrial enterprises. In particular, construction of the first unit of the "Capital" Mine in Malaikh, with a planned capacity of 600,000 tons of coal per year, was completed in 1957. The MPR is devoting serious attention to the development of transport and communications, for the financing of which considerable sums are allotted each year from the national budget.

A signal event in the lives of the Mongolian people was the completion of construction and beginning of service in January, 1956; of the Ulan Bator-Chamen-Ude Railroad, which was built with financial and technical aid from the Soviet Union. This is the greatest project in

the entire history of the Mongolian people. When it went into service, the total length of railroad lines in the MPR was increased by 65.8%, or a total of 1,800 km. This line has an extremely great significance for communications between three friendly countries -- the USSR, the MPR, and the CPR -- as well as for the development of socialism in the MPR. This railroad is aiding the growth of the ranks of the working class, the training of local talent for the national economy, and contributing to an increase in the well-being and culture of the Mongolian people.

As the Minister of Finances of the MPR remarked, the growth of the net income of the working class in the past few years has raised the problem of a significant improvement in servicing the daily needs of the population. 14.1 million tugriks are to be invested in this area in 1959 with the aim of further developing trade. These funds will be expended by trade organizations for the construction of stores, restaurants, warehouses, and for the improvement of customer service.⁴⁵

Expenditures for Social-cultural Measures. Social-cultural expenditures, which are playing an important role in the increase of the material well-being and cultural level of the worker (see following table) are being systematically increased.

The basic portion of social-cultural expenditures is channeled for the development of popular education. Thanks to government expenditures, a successful solution is being reached for the task voiced by the XII Congress of the Mongolian People's Revolutionary Party (November, 1954), that of obligatory elementary education for all children of school age and gradual obligatory seven-year schooling in Ulan Bator and other cities. 37 new elementary and 38 new partial and complete high schools were built during the Second Five-year Plan alone, and about two thousand teachers received training for teaching in these schools. Thanks to this, practically all children between the ages of eight and twelve were in school in the 1956-1957 school year, and the total number of pupils was 150,000 that of 1952.

EXPENDITURE DISTRIBUTION FOR SOCIAL-CULTURAL MEASURES ⁴⁶
(in million tugriks)

Expenditure assignment	1956	1957	1958	1959
Education and Culture -----	120.0	138.5	157.7	154.2
Public Health, Sports, and Physical Education -----	55.0	61.2	73.3	88.9
Social Insurance -----	19.3	25.6	32.6	37.0
Social Security and Allotments to Mothers with Large Families -----	3.7	4.7	7.6	9.0

The country's institutions of higher learning produced 180% more specialists after the Second Five-year Plan than after the First. High schools trained four thousand specialists during the Second Five-year Plan.

Truly great cultural reforms have taken place during the years of the people's hegemony in the country. For example, the number of students in institutions of higher learning in the MPR per 10,000 population is not only no less, but even greater than in many capitalist countries. In 1957 the MPR had 57 students per 10,000 population in institutions of higher learning, while there were 37 in Italy, 12 in Turkey, eight in Pakistan, and four in Iran. Almost the entire adult population of the MPR is literate, while the percentage of literacy is only 30% in Turkey, 17% in Iran, 14% in Pakistan, and 10% in Afghanistan.⁴⁷

The complement of cultural-educational and entertainment institutions has significantly increased during the past year, most somons, state farms and large inhabited areas have moving picture facilities, and domestic feature and documentary films are being produced.

Considerable success has also been achieved in the field of public health. In 1957 there was one doctor for each 2,400 persons in the MPR and eight or nine hospital beds for each thousand persons. Significant work has been done for the protection of motherhood and babies. Maternity centers have been organized in many somons. A Central Children's Hospital with 480 beds was opened in 1955 in Ulan Bator. The infant mortality rate has been significantly decreased. Large funds from the budget are being spent on social insurance and social security. Pension payments in 1957 were twice those of 1953.

In October, 1958, a new pension security law came into force in the MPR, according to which pension sizes and the number of persons eligible for pension were increased considerably. Government old-age, infirmity, and loss-of-support pensions were established by law. Workers, office personnel, military personnel, university, technical and trade school students and other persons having lost their capacity to earn a living due to causes connected with the fulfillment of state or public obligations are eligible for a pension. Members of the families of citizens in the above categories receive loss-of-support pensions.

Government allowances to mothers of large families were increased in April, 1957. At present, such allowances are paid for children up to the age of five years in the amount of 150 tugriks per year for the fourth, fifth, and sixth child; in the amount of 300 tugriks per year for

the seventh, eighth and ninth child; in the amount of 500 tugriks per year for the tenth and each subsequent child. The 1958 payments increased 30% over those in 1957, and in 1959 -- an additional 18.4%.

During the Second Five-year Plan the number of health resorts doubled, and the number of persons using them tripled. Budget expenditures for social insurance, pensions, and payments for mothers with large families increased 9.5 million tugriks in 1958 over 1957. The total value of payments of pensions, including payments for mothers of large families, scholarships and other payments from the national budget, more than doubled in the years of the Second Five-year Plan.

All measures by party and government in the MPR for the development of the economy are aimed at increasing the national wealth and at the creation of the necessary conditions for raising the level of the well-being of the working class. The constant increase in the number of workers and office personnel engaged in the development of the national economy, the growth of their net income, and the growth of Arat incomes are proofs of the higher standard of living of workers in the MPR. The number of workers and office personnel engaged in the development of the national economy of the MPR was 38.8% higher in 1957 than in 1952. Total wages increased 75% during the Five-year Plan, and the average wage increased 26%.⁴⁸ Pre-day off and pre-holiday workdays for workers and office personnel were shortened in April, 1957.

The decrease in retail prices for industrial goods and foodstuffs, which was introduced during the Second Five-year Plan, is an important factor in the workers' higher standard of living. As a result of the first price decrease, which took place in June, 1954, the people saved more than 20 million tugriks per year. The second price decrease in January, 1957, for 413 different commodities as well as medicines, saved the people an additional 24 million tugriks per year.⁴⁹

As a result of all the measures designed to raise the standard of living of the workers, the net incomes of individual Arat households and members of agricultural associations increased 70% between 1952 and 1957, and the net income of workers and office personnel increased 40%.

As a result of the growth in the net incomes of workers, office personnel, and Arats, the buying power of the public is growing consistently, and the volume of state and cooperative goods turnover is increasing. The retail commodity turnover increased from 331.8 million tugriks in 1952 to 647.9 million tugriks in 1957, in other

words, almost doubled. The 1957 percentages for the sale of products per person in comparison with the 1953 totals are as follows: flour -- 154%, rice -- 143%, sugar -- 135%, green tea -- 127%, tobacco -- 150%, cotton fabrics -- 230%, silk fabrics -- 640%, footwear -- 200%. In five years the sale of clocks and watches increased by 170%, sewing machines -- by 1550%, radios -- by 3400%, bicycles -- by 340%, and separators -- by 570%.

Much attention is being devoted to an improvement in living conditions for workers. In particular, a great housing construction project is being effected during the Three-year Plan. Rents and charges for electricity were reduced in 1957. Workers save a total of four million tugriks each year from decreases in rents for state-owned yurts alone.⁵⁰

Expenditures for Government and Defense. Expenditure percentages on government (including court and prosecutor's office expenses) are systematically being lowered in all budgets. The percent of the total budget decreased from 9.2% in the first five-year Plan to 8.1% in the second five-year Plan, and from 8.8% in 1953 to 6.5% (planned) in 1958. At the same time, the absolute amount on expenditures for government is growing, a fact which is explained by the systematic wage increase for the employees in ministries and government offices, as well as in local government departments. In addition, expenditures on government have increased in connection with the organization of the Ministry of Trade and Procurement, as well as the Bureau of Standards.⁵¹

Measures have been taken for the elimination of excess personnel, unnecessary links in the apparatus of government, and for the transfer of unnecessary personnel to industry and agriculture. More than two thousand employees with combined salaries of six to seven million tugriks were eliminated in 1956 alone. The administrative expenses of 11 ministries and large departments were cut by 7-10% in 1955. Considerable savings were gained as a result of the consolidation of local administrative-territorial units, effected in 1956 with the aim of improving the structure of local organs of government.

Nevertheless, in the estimation of top party and government organs, the activities and structure of the apparatus of government and economy cannot be said to be fully satisfactory. Further improvement in the structure of the organs of government and, in particular, consolidation of several central ministries and offices and a cut in personnel in other departments is being introduced.

In March, 1959, bag executive organs (bag -- the

former basic administrative unit) were eliminated in the work of agricultural associations in the aim of bringing somon (regional) leadership closer to the economy. A consolidation in the leadership of somon governments and agricultural associations was also effected. This will cause a savings of more than three million tugriks on government in 1959. In addition, in accordance with the instructions of party and government for a 15-20% cut in 1959 administrative expenditures, it is planned to effect a decrease in these expenditures of six million tugriks in the central ministries, departments and offices and of seven million tugriks at industrial enterprises and economic organizations.

The systematic decrease in expenditures on defense is the best testimony to the peace-loving policy of the Mongolian People's Republic. Defense expenditures amounted to 481.5 million tugriks or 28.9% of the budget during the First Five-year Plan and decreased to 234.8 million tugriks or 10% of the budget during the Second Five-year Plan. Defense expenditures constituted only 5.8% of the 1958 budget.

Favorable internal and external conditions have allowed a considerable cut in armed forces and defense expenditures during past years. Individual military units and components have been eliminated altogether. The Ministry of Defense and the MVD were consolidated into the Ministry of National Armed Forces Affairs and National Security. The expenditures of this ministry are constantly decreasing.

In the Mongolian People's Republic, as opposed to other socialist countries, the expenses of the Mongolian People's Revolutionary Party and the Union of Revolutionary Youth are financed by the national budget. Party and Youth Union expenditures are comparable to other budget expenditures. In addition, the reserve fund of the Council of Ministers, state loan payments, additions to the long-term credit fund, goods price decrease compensation and other expenditures are included among budget expenditures. In 1958 the various types of other expenditures accounted for the following amounts: party and youth union organs -- 17.1 million tugriks, state loan payments -- 17 million tugriks, Council of Ministers Reserve Fund and local executive administrations -- 23.3 million tugriks, long-term credit bank fund increase -- four million tugriks.

3. LOCAL BUDGETS

Local budgets play an important role in the devel-

opment of the country's economy and culture and in raising the national standard of living. They therefore occupy an important place in the budgetary system of the MPR. The significance of local budgets has become even greater in past years (see next table).

Local budgets, on the whole, are increasing in the MPR in proportion to the growth of the entire national budget. The national budget of the MPR has doubled in the past seven years, as have local budgets. The proportion of local budgets to the total expenditures of the national budget has averaged 26-27% since the beginning of the Second Five-year Plan.

The budgets of individual administrative units have grown significantly. Aimak budgets have increased 50 to 100% in the past three or four years. The aimak budgets were anywhere from six to 13 million tugriks in 1959, while that of Ulan Bator was 53 million.

Local budget revenues consist of tax payments on transport, city livestock tax, veterinary tax, market tax, stamp tax, private income tax, 25% of the turnover tax on local enterprises, timber, receipts from local industry and commerce, income from fines and property confiscation conducted on the initiative of local authorities, receipts from reversion to state ownership of escheat and ownerless property, and certain other revenues. The turnover tax on trade-procurement organizations and their departments from state purchase of agricultural products was included in the local budgets in 1959 in order to strengthen their income base. In addition, a higher scale for local industrial enterprise and economic organization accumulations was established.

Regulatory income is comprised of the following: livestock tax on individual households and agricultural associations, 75% of the turnover tax on local enterprises, income tax on workers and office personnel, bachelor and childless citizen tax, and receipts from state loans and lotteries. Each year the scale of assignments to local budgets from indicated sources of state income is provided for in the national budget law.

In 1955-1959 all receipts from the turnover tax on local enterprises, income tax on workers and office personnel, sale of government bonds (1955-1956), as well as (with differences in individual aimaks) the greater part of the receipts from the livestock tax on independent Arat households were assigned to the majority of local budgets. In addition, receipts from the bachelor and childless citizen tax and the livestock tax on agricultural associations were, in their entirety, assigned to the local budgets.

In 1956 this included profit deductions from cooperative enterprises and organizations.

CENTRAL AND LOCAL BUDGET RELATIONSHIP IN THE MPR⁵³

Years	National Budget	(in million tugriks)			
		Including			
		Central Budget	Local Budgets	sum	%
		sum	%	sum	%
1953					
revenues -----	417.8	302.5	72.4	115.3	27.6
expenditures ---	379.6	274.5	72.3	105.1	27.7
1954					
revenues -----	401.2	298.1	74.3	103.1	25.7
expenditures ---	412.2	304.1	73.8	108.1	26.2
1955					
revenues -----	407.2	346.9	74.3	120.3	25.7
expenditures ---	402.1	338.5	73.5	123.6	26.7
1956					
revenues -----	521.5	420.4	80.6	101.2	19.4
expenditures ---	509.8	396.2	77.7	113.6	22.3
1957					
revenues -----	643.2	494.0	76.9	148.0	23.1
expenditures ---	594.3	420.3	71.7	168.0	28.3
1958 (planned)					
revenues -----	682.0	528.5	77.5	155.5	22.5
expenditures ---	670.4	492.6	72.8	183.8	27.2
1959 (planned)					
revenues -----	816.8	622.7	76.2	194.1	23.8
expenditures ---	811.5	604.2	74.4	207.3	25.6

In cases of necessity, subsidies are taken from the central budget for local budgets whose receipts from local and regulatory revenues do not cover all their expenditures. Such subsidies amounted to 13.9 million tugriks in 1959.

Local budget expenditures include all government expenses incorporated in the estimates of the local executive administrations and their departments, the cost of maintaining local public health and educational institutions (hospitals, dispensaries, first aid stations, nursery schools, kindergartens, schools, recreation rooms, etc.), sums for financing local industrial and agricultural enterprises, local utilities and housing construction, parks and greenery for cities and villages as well as other expenses.

Local budgets promote timely and complete financing of enterprises for the development of animal husbandry,

education and public health in the aimaks. As a rule, more than 85% of all expenditures from local budgets are used for the development of the national economy, culture and public health. About 70% of these are used to pay for social-cultural measures. Less than 15% of all expenditures is for the maintenance of government. It is planned to cover 85% of all budget expenditures for schools, 50% of public health costs and 97% of all pension payments in 1959 with funds from the local budgets.

Thus, the budget of the Mongolian People's Republic is a budget of peaceful economic development and a budget for raising the standard of living of the Mongolian people.

Footnotes to Chapter Ten

1. Thirty Five Years of the Mongolian People's Revolution, Ulan Bator, 1956, p 82.
2. Compiled according to figures contained in the budget reports of the Minister of Finance, Laws and Resolutions of the Great People's Hural of the MPR, ignoring leftovers from past years.
3. The 1954 excess expenditures were, to a considerable degree, covered by the 49.8 million tugriks which had been left over from previous years. Cash assets remaining from the central and local budgets for past years, sometimes amounting to rather large sums, are included in the MPR budget revenues. This practice strengthens and solidifies the national budget. Excess revenue of 51.5 million tugriks was announced on 1 January 1955, and excess revenue of 54.3 million tugriks was announced for 1 January 1956, etc.
4. Unen (Truth), Ulan Bator, 9 September 1955.
5. Somon is an administrative-territorial unit in rural areas. An aimak consists of several somons. The MPR presently draws up 17 aimak budgets and two city budgets which are equated with them.
6. Unen, 28 March 1958, 1 April 1959. 1959 budget revenues are given according to the report of the MPR Minister of Finance. The Great People's Hural approved revenues in the sum of 816.8 million tugriks.
7. In addition, state and cooperative industrial enterprises and economic organizations paid a budget addition, customs duties, and building and property tax into the budget up to 1959.
8. Unen, 28 March 1958.

1. Unen, 1 April 1959. Until 1959 the turnover tax furnished the budget with 15-22% of its revenue. Receipts from budget additions and customs duties also occupied a respectable position, furnishing a combined total of about 35% of all revenues. The budget addition was a 20% addition on the FOB border price on imported goods and on the wholesale delivery price for domestically produced goods.

Unen, 9 January 1959.

Unen, 10 January 1954.

Unen, 8 May 1954.

Mongolyn Sonyn (The Mongolia News), 21 March 1958.

Unen, 1 April 1959.

Unen, 28 March 1958.

Unen, 18 March 1954.

Unen, 1 April 1959.

Unen, 9 May 1954.

ibid.

Until 1958 several categories of persons subject to the personal income tax also paid the state producers' tax, which has been repealed.

Unen, 16 November 1957.

Unen, 16 November 1957.

Mongolyn Sonyn, 10 April 1957.

Unen, 1 April 1959.

Unen, 22 July 1950.

Unen, 27 May 1952.

Aid and credits from friendly countries directly into national budget revenues are not included.

Based on figures from the budget report by the MPR Minister of Finance (Unen, 28 March 1958). Since the expenditures of the 1957 preliminary fulfillment budget are included in the total expenditures for the Second Five-year Plan, the sum used here is actually six million tugriks less than the actual sum.

Unen, 1 April 1959.

Based on the figures of the MPR Minister of Finance (Unen, 1 April 1959). Total budget expenditures for 1959, approved by the session of the Great People's Khural, were for 811.5 million tugriks.

Mongolyn Sonyn, 21 March 1958.

Unen, 28 March 1958.

Unen, 1 April 1959.

Based on the figures contained in the budget reports by the MPR Minister of Finance. Since only the figures for the preliminary budget fulfillment are available for each separate year, they vary somewhat from the earlier figures for the First and Second Five-year Plans,

- based on the final budget fulfillment.
35. Calculated on the preliminary budget fulfillment figures for the corresponding years.
 36. Mongolyn sonyn, 24 March 1958.
 37. Mongolyn sonyn, 31 July 1957. This includes non-budget investments.
 38. Figures from the 1953-1956 budgets and the planned budget for 1957 are included in the totals for the Second Five-year Plan.
 39. Unen, 1 April 1959.
 40. MPR national budget preliminary fulfillment figures are given for 1955-1956, and planned figures for 1957-1959.
 41. Mongolyn sonyn, 21 March 1958; Unen, 28 March 1958.
 42. Mongolyn sonyn, 21 March 1958.
 43. Unen, 1 April 1959.
 44. Unen, 1 April 1959.
 45. ibid.
 46. Unen, 4 April 1957; 28 March 1958; 1 April 1959.
 47. Mongolyn sonyn, 21 March 1958.
 48. Mongolyn sonyn, 21 March 1958.
 49. Mongolyn sonyn, 1 January 1957.
 50. Mongolyn sonyn, 6 March 1957.
 51. Unen, 1 April 1959.
 52. Unen, 1 April 1959.
 53. Calculated on the figures contained in the budget reports of the MPR Minister of Finance and state budget laws. Figures for 1953-1957 are of preliminary budget fulfillment, and those for 1958-1959 -- planned figures.
 54. Not including subsidies from the central budget.
 55. Unen, 1 April 1959.